

# Certification of claims and returns annual report 2015-16

Stevenage Borough Council

January 2017

Ernst & Young LLP



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The Members of the Audit Committee  
Stevenage Borough Council  
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18 January 2017

Dear Members

## **Certification of claims and returns annual report 2015-16 Stevenage Borough Council**

We are pleased to report on our certification and other assurance work. This report summarises the results of our work on Stevenage Borough Council's 2015-16 claims.

### **Scope of work**

Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and must complete returns providing financial information to government departments. In some cases these grant-paying bodies and government departments require appropriately qualified auditors to certify the claims and returns submitted to them.

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to the Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. For 2015-16, these arrangements required only the certification of the housing benefits subsidy claim. In certifying this we followed a methodology determined by the Department for Work and Pensions (DWP) and did not undertake an audit of the claim.

### **Summary**

Section 1 of this report outlines the results of our 2015-16 certification work and highlights the significant issues.

We checked and certified the housing benefits subsidy claim with a total value of £34,781,368. The DWP extended the deadline for the conclusion of this work from 30 November to 31 December 2016 as EY were only able to put in a team to start the work on 31 October. Two extended samples of 40 cases were identified as being necessary during the course of the work. These factors together meant that the final submission to the DWP was made on 10 January 2017. There was a qualification letter which was also the case in the prior year, although the issues that were reported were different. An amendment was required to correct the analysis of rent allowance expenditure but this had no impact on the subsidy receivable.

Fees for certification work are summarised in section 2. The housing benefits subsidy claim fees for 2015-16 were published by PSAA in March 2015 and are available on the PSAA's website ([www.psaa.co.uk](http://www.psaa.co.uk)).

We welcome the opportunity to discuss the contents of this report with you at the January Audit Committee.

Yours faithfully

Neil Harris  
Director



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## 1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£34,781,368
Amended	We queried the large year on year increase in cell 98, 'That part of eligible rent at or below the Rent Officer's determination'. Officers checked the cases included in this cell and identified £204,955 that needed to be moved to cell 102, 'Cases not requiring referral to the Rent Officer'. This change did not affect the value of the subsidy claimed as both cells attract full rate subsidy
Qualification letter	Yes
Fee – 2015-16	£7,958 scale fee. We are requesting an additional
Fee – 2014-15	£2,983 to reflect work undertaken, please refer to section 3 £17,142 (charged by Grant Thornton, which included £4,962 additional fee)

Local government administers the Government's housing benefits scheme for tenants and can claim subsidies from the Department for Work and Pensions (DWP) towards the cost of benefits paid.

The certification guidance requires auditors to complete more extensive '40+' or extended testing if initial testing identifies errors in the calculation of benefit or compilation of the claim. 40+ testing may also be carried out as a result of errors that have been identified in the audit of previous years claims.

Testing found:

- ▶ One case where the benefit award started from the incorrect date resulting in benefit being underpaid. The DWP does not usually require any further work where an underpayment is identified as no subsidy will have been claimed in respect of such cases.
- ▶ One case where there was misclassification of an overpayment as 'eligible' when it should have been 'local authority' error. Extended checking of a sample of a further 40 overpayment cases found that they were all classified correctly but in two cases the overpayment value was incorrect due to errors in recording income information.
- ▶ One case where a revised value for income received from overseas could not be supported. Extended checking of a further 40 cases found that there was appropriate supporting documentation for the income values used.

We have reported the underpayment, the extrapolated value of the eligible overpayments (£611), and the extrapolated value for the lack of support for income (£66,444) in a qualification letter to the Department. The DWP then decides whether to ask the Council to carry out further work to quantify the error or to claw back the benefit subsidy paid.

## 2. 2015-16 certification fees

PSAA determine a scale fee each year for the audit of claims and returns. For 2015-16, these scale fees were published by the PSAA in March 2015 and are now available on the PSAA's website ([www.psa.co.uk](http://www.psa.co.uk)).

Claim or return	2015-16	2015-16	2014-15
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	10,911	7,958	17,142*

\* We are in the process of agreeing with officers and PSAA our outturn fee for the 2015-16 certification of the housing benefits subsidy claim. There was an addition to the scale fee of £12,180 charged by the preceding auditors of £4,962 in respect of the 2014-15 work. This covered one sample of 40+ on the calculation of eligible rent for Local Housing Allowance (LHA) cases. Due to errors found the Council undertook 100% check of LHA cases which were then reviewed by the Council's auditors.

In 2015-16 there were two 40+ samples which would normally trigger a fee level in line with the 2014-15 scale fee of £12,180. However officers assisted with these by completing the workbooks and carrying out an initial assessment of whether there were any errors and we have taken account of this in our proposed additional fee.

### 3. Looking forward

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to PSAA by the Secretary of State for Communities and Local Government.

The Council's indicative certification fee for 2016-17 is £12,857. This was prescribed by PSAA in March 2016, based on no changes to the work programme for 2016-17. Indicative fees for 2016-17 housing benefit subsidy certification work are based on final 2014-15 certification fees. PSAA reduced scale audit fees and indicative certification fees for most audited bodies by 25 per cent based on the fees applicable for 2014-15.

Details of individual indicative fees are available at the following web address:  
<http://www.psaa.co.uk/audit-and-certification-fees/201617-work-programme-and-scales-of-fees/individual-indicative-certification-fees/>

We must seek the agreement of PSAA to any proposed variations to these indicative certification fees and inform the Assistant Director (Finance). We are not proposing a variation to the 2015-16 indicative fee.

PSAA is currently consulting on the 2017-18 work programme. There are no changes planned to the work required and the arrangements for certification of housing benefit subsidy claims remain in the work programme. However, this is the final year in which these certification arrangements will apply. From 2018-19, the Council will be responsible for appointing their own auditor and this is likely to include making their own arrangements for the certification of the housing benefit subsidy claim in accordance with the requirements that will be established by the DWP.

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